State's Economy Limps Along in April

No Net Gains in Employment

Pennsylvania's job losses in April took the shine out of the gains. The state's manufacturing sector had fewer workers, who worked fewer hours, and while many nonmanufacturing industry groups experienced job increases, the gains were less than typical for April.

Total resident employment in Pennsylvania rose to 5 million workers, but the increase was no more than expected from regular seasonal variation. In addition, the decline in the number of residents counted as unemployed was insufficient to lower the jobless rate. The state's seasonally adjusted unemployment rate rose to 8.3 percent in April from 7.9 percent in March.

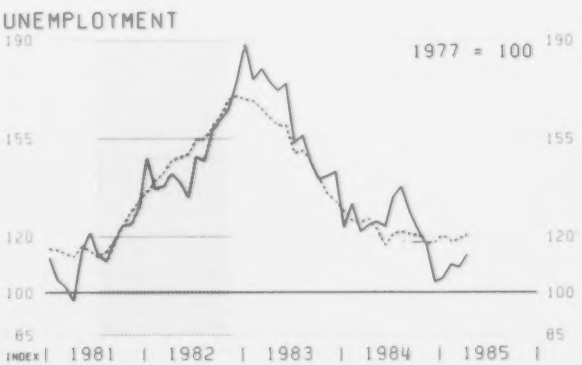
Pennsylvania's manufacturing sector saw a 0.7 percent decline in the seasonally adjusted number of payroll jobs, with the job level in nondurable goods factories at a new low. These factories lost a seasonally adjusted 0.6 percent of their work force in April, bringing the job level down 2.8 percent from the same month a year ago.

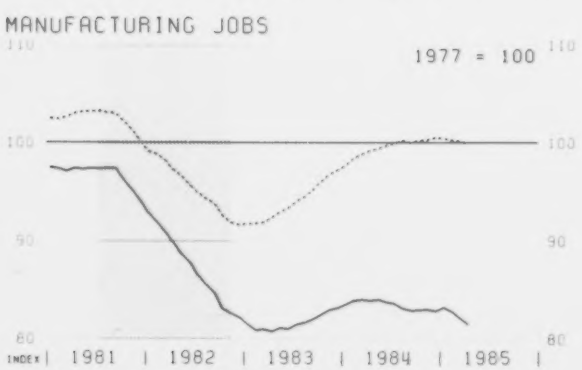
Comparable losses took place in durable goods factories. The seasonally adjusted job level in these industries declined in nine of the past 10 months. Nevertheless, durable goods factories employed a seasonally adjusted 14,900 workers more in April than at the trough of the recession two years earlier.

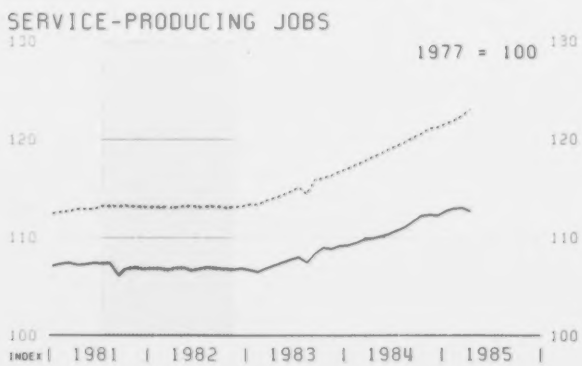
Not only were there fewer factory workers in April than in March, but they were working fewer hours. The average length of the workweek fell 0.4 of an hour in both durable and nondurable goods factories.

After seasonal adjustment, total weekly person-hours worked in Pennsylvania's manufacturing industries fell 1.5 percent and was 6.1 percent lower than the total in April 1984. These declines brought seasonally adjusted factory payrolls down 0.9 percent in April and 3.1 percent over the year. After further adjustment for inflation, payrolls were 6.5 percent below the year-ago level.

The only major industry group in the state with more than seasonal gains in employment was services. Gains in the seasonally adjusted job level in these industries was up only slightly in April but registered a new record







PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **June 1985**

Economic Activity in Pennsylvania	1985 March	1985 April	1984 April	Seasonally Adjusted Indexes (1977 = 100) 1985 March	1985 April	1984 April
Pennsylvania Industries						
All nonagricultural industries						
No. of wage and salaried jobs (thous.)[1]	4,660.*	4,693.	4,627.	103.3*	102.8	101.3
Nonmanufacturing						
No. of wage and salaried jobs (thous.)	3,565.	3,599.	3,501.	112.1*	111.6	108.6
Manufacturing						
No. of wage and salaried jobs (thous.)	1,092.*	1,091.	1,123.	82.1*	81.5	83.9
Ave. wkly. hrs. worked by prod. workers	39.8	39.3	40.3	100.6	99.6	102.2
Total wkly. person-hours worked (mils.)	29.7	29.4	31.3	77.9	76.8	81.8
Total wkly. payroll (mil. dols.)	282.4*	280.3	289.0	126.6*	125.4	129.3
Steel production (thous. tons)	1252.*	1,199.	1,557.	49.*	49.	64.
Industrial electric power sales (mil. kwh)	3,580.	3,565.	3,688.	94.	96.	99.
Mining						
Anthracite coal (thous. net tons)	348.	320.	228.	69.	82.	59.
Bituminous coal (thous. net tons)	5,246.	n.a.	8,189.†	66.	n.a.	101.†
Construction contracts awarded (mil. dols.)						
Total	582.8	696.0	600.6*	187.	188.	166.*
Residential building	250.1	293.0	213.3*	213.	164.	119.*
Other building	157.4	207.4	215.6*	136.	195.	207.*
Nonbuilding (utilities and public works)	175.2	195.6	171.8*	212.	227.	194.*
Employment of Pennsylvania Residents						
Employed, no. of persons (thous.)	4,958.	5,000.	4,829.	106.5	106.5	102.7
Unemployed						
No. of persons (thous.)	456.	447.	488.	109.1	113.4	124.0
Rate (percentage of labor force)	8.4	8.2	9.2			
Rate, seasonally adjusted	7.9	8.3	9.2			
Civilian labor force, no. of persons (thous.)	5,414.	5,448.	5,317.	106.7	107.0	104.4
Initial claims for unemployment benefits	102,748.	130,564.	117,950.	87.6	90.9	86.0

Consumer Prices, all items	Urban Indexes (1967 = 100) 1985 March	1985 April	1984 April	Percentage Change Month Ago	Year Ago
U.S. city average	318.8	320.1	308.8	+0.4	+3.7
Philadelphia	310.4	312.4	298.2	+0.6	+4.8
Pittsburgh	n.a.	324.3	318.6	n.a.	+1.8
Northeast PA	304.9	n.a.	293.0†	n.a.	+4.1

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for March 1984 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

high. The number of jobs in the finance, insurance and real estate industry group, also at a record high, was essentially unchanged after seasonal adjustment.

Because of the good March weather some of the hiring in construction industries that typically takes place in April occurred earlier this year. As a result, the 1.6 percent drop in the seasonally adjusted number of construction jobs reflects a statistical adjustment of the 4.7 percent jump in March and does not indicate worsening conditions.

Awards for future construction contracts remained strong. The value of contracts awarded in April rose in every major structure class, with only the residential building category rising less than the usual seasonal amount.

After a slow start in the first two months of this year, the seasonally adjusted value of nonbuilding construction awards in Pennsylvania increased another 7.1 percent from the relatively high value in March, bringing the state's cumulative total 14 percent above the value in the same period of last year. Nonbuilding structures include utilities and public works, such as highways and bridges.

The seasonally adjusted value of nonresidential building awards rose 42.6 percent from the previous month, but the year-to-date cumulative value trailed last year's by 3.7 percent.

In the Middle Atlantic region, which encompasses Pennsylvania, New Jersey and New York, the increase in nonresidential awards in April came from contracts for mercantile buildings and warehouses and for laboratories and hospitals and other health-treatment buildings.

Awards for other commercial buildings and for manufacturing plants declined in value. Capital spending on these buildings may remain lackluster until additional declines in interest rates are seen. With the Federal Reserve's recent credit-easing moves, further declines in interest rates appear likely. But whether rates will fall

(continued on back page)

Income Gains Slow at Year's End

But Remain Well Above Price Increases

Pennsylvania's personal income growth continued to moderate in the final quarter of 1984. Total personal income rose 1.6 percent in the fourth quarter, compared to increases of 1.8 percent in the third quarter and 2.5 percent in the second quarter of the year. From the fourth quarter of 1983 to the fourth quarter of 1984, total personal income grew 8.1 percent in the state.

Personal income is current income received by persons from all sources — that is, from participation in production, from government and business transfer payments and from government interest.

The fourth-quarter percentage increase in current-dollar personal income exceeded the increase in consumer prices and therefore represented a gain in purchasing power and economic well-being. Consumer prices, as measured by the implicit price deflator for personal consumption expenditures, rose 0.6 percent over the quarter and 3.1 percent over the year.

Income rose in all major industry groups, except agriculture, mining and the federal government. A 4.3 percent jump in construction wages and a 3 percent rise in payrolls in nondurable goods factories gave the state a slight edge over the nation in the quarterly growth rate of net labor and proprietors income.

Over the year, national percentage gains in income were greater than statewide gains in almost every industry group. Notable exceptions were farm income, which more than doubled in the state but grew only by a third nationally; income from state and local government, which rose 12.8 percent from fourth quarter to fourth quarter in the state compared to 7.7 percent nationwide; and income from service industries, which rose in both the nation and the state at just over 10 percent.

The moderation in income growth came from dividends, interest and rent. Income from these sources rose 2.2 percent in the fourth quarter of 1984. This compares to gains of 3.5 percent to 4.4 percent in each of the first three quarters.

In the fourth quarter of last year, state unemployment insurance disbursements rose 9.6 percent in Pennsylvania and a smaller 5.1 percent in the nation. These increases were the first since the second quarter of 1983. Other transfer payments rose slightly faster in the nation than the state, resulting in equal quarterly gains in income from all transfer payments. But over the year, transfer payments rose a smaller 1.9 percent in the state compared to 3.2 percent nationally.

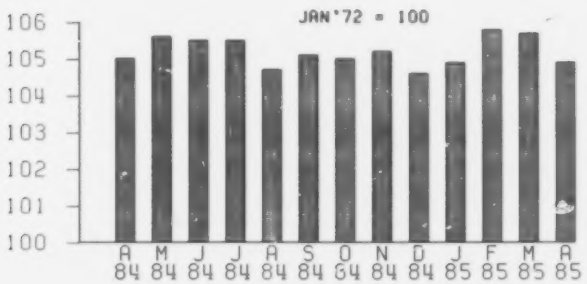
— Norma I. Gavin

Personal Income by Major Source, Seasonally Adjusted at Annual Rates — Pennsylvania and the United States

	Pennsylvania			United States		
		Percentage Change			Percentage Change	
	1984 IV (mil. dols.)	Quarter Ago	Year Ago	1984 IV (mil. dols.)	Quarter Ago	Year Ago
Labor and proprietors income by place of work	103,450	1.6	7.7	2,195,745	1.5	8.7
By type						
Wage and salary disbursements	85,757	1.7	6.6	1,837,079	1.5	7.7
Other labor income	10,695	2.2	9.2	202,329	2.2	11.2
Proprietors income	6,999	-0.2	19.6	156,337	-0.3	18.1
By industry						
Farm	1,003	-14.9	102.2	39,024	-6.2	33.1
Nonfarm	102,447	1.8	7.2	2,156,722	1.7	8.3
Private	88,184	1.9	6.7	1,798,064	1.7	8.7
Ag. serv., for., fish., and other	272	1.9	11.9	9,018	1.7	8.6
Mining	1,334	-5.2	0.8	36,692	1.1	11.7
Construction	5,044	4.3	8.5	117,650	1.5	11.0
Manufacturing	29,699	1.5	4.2	522,140	1.5	7.9
Nondurable goods	10,828	3.0	4.6	188,596	1.1	5.1
Durable goods	18,871	0.6	3.9	333,544	1.7	9.6
Transportation and public utilities	7,887	0.5	7.2	167,219	0.4	6.5
Wholesale trade	6,269	2.2	5.8	147,849	1.9	10.0
Retail trade	9,188	2.2	5.2	206,481	1.9	6.5
Finance, insurance, and real estate	6,057	2.0	8.3	143,194	1.8	9.1
Services	22,434	2.6	10.3	447,822	2.5	10.1
Government	14,264	1.3	10.5	358,658	1.3	6.6
Federal, civilian	3,498	-0.8	3.9	78,528	0.0	4.2
Federal, military	653	3.0	11.8	37,207	0.2	5.2
State and local	10,112	1.9	12.8	242,923	1.9	7.7
Total personal income	150,848	1.6	8.1	3,086,435	1.5	9.2
Nonfarm personal income	149,846	1.7	7.8	3,047,412	1.7	8.9
Net labor and proprietors income[1]	96,485	1.6	7.7	2,060,448	1.5	8.6
Dividends, interest and rent	28,934	2.2	15.0	604,191	2.3	15.9
Transfer payments	25,429	0.8	1.9	421,796	0.8	3.2

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1985.
[1]Total earnings by place of work less personal contributions for social insurance and plus an adjustment for residence.

Pennsylvania Composite Index of Leading Indicators



fast enough or soon enough to give capital spending much of a boost this year is uncertain.

The surge in residential building awards in the first quarter is tapering off. Strong sales activity and eased interest rates may keep the pace of awards close to the current level throughout the second quarter, but no large increases or declines are expected.

First-quarter's surge is attributed to a high level of contracts for apartment and other multi-family construction brought about because of builders' expectations that they would come under a "grandfather" provision in any tax-revision legislation. The Reagan administration's tax-overhaul plan reduces the incentives for building rental housing.

The drop in the seasonally adjusted value of residential building awards contributed to the 0.8 percent decline in the Pennsylvania composite index of leading indicators. April's decline follows a revised 0.1 percent dip in March.

This index typically rises and falls before general business activity, thereby predicting turning points in the business cycle. The declines in April and March are not sufficient to announce a turning point. Typically five monthly declines in a six-month period are needed for this.

The other two components of the index also contributed to April's decline. A more than seasonal increase in initial claims for unemployment compensation and a decline in the average length of the factory workweek worked to depress the index.

The companion index of coincident indicators, which typically moves with general business activity, also declined in April. The 0.7 percent drop reflects the contraction in the manufacturing sector.

Another measure of general business activity that reflected the contraction in manufacturing is sales of electricity to industrial users. Although the seasonally adjusted level of sales rose 1.5 percent in April, it remained below the year-earlier figure.

Much of the over-the-year decline in industrial electric power sales can be attributed to the steel industry, a major user of electric power. The seasonally adjusted average daily production of steel in Pennsylvania, which fell throughout most of 1984, rose in April for the fourth month in a row but remained 23 percent below the level in April of 1984.

Pennsylvania's share of total domestic steel production rose to 15.2 percent in April from a low of 11.7 percent in November 1984. But this compares to a better than 20 percent share prior to the 1981/82 recession.

The fortunes of Pennsylvania's coal mining industries are closely linked to steel — directly as an input of production and indirectly through its use as a fuel by electric utilities. Little improvement in either production or employment in the state's mines has taken place since the beginning of the year.

Further modest increases in economic growth are expected next month, with services and construction industries leading in employment gains. Additional declines in manufacturing employment are likely.

— *Norma I. Gavin*

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